

## Message Text

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PAGE 01 STATE 178518

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ORIGIN ARA-20

INFO OCT-01 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00 DOTE-00

EB-11 INR-11 NSAE-00 RSC-01 FAA-00 L-03 SS-20 NSC-07

TRSE-00 ( ISO ) R

DRAFTED BY ARA/EP:SMPRINGLE

APPROVED BY ARA:HWSHLAUDEMAN

ARA/EP/P:FBCORRY

EB/OA/AN:MSTYLES

EB/OA/AN:ARIMAS

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P 142329Z AUG 74

FM SECSTATE WASHDC

TO AMEMBASSY LIMA PRIORITY

C O N F I D E N T I A L STATE 178518

E.O. 11652: GDS

TAGS: ETRN, PE

SUBJECT: CIVAIR - BRANIFF PROBLEM

REF: LIMA 6626

1. DE MURIAS OF BRANIFF VISITED DEP ASST SECY SHLAUDEMAN  
AUG 14 TO REPORT ON LATEST DEVELOPMENTS BRANIFF'S PERUVIAN  
OPERATIONS ALONG GENERAL LINES PARA 5 REFTEL. ACCORDING  
DEL SOLAR, WHO FLEW TO U.S. TO REPORT PERSONALLY TO  
BRANIFF, MINISTRY OF TRANSPORT HAS ALREADY DRAFTED DECREE  
WHICH WOULD LIMIT BRANIFF TO 34 FREQUENCIES PER WEEK  
(BRANIFF'S LEVEL AS OF MAY 1974). BRANIFF WOULD BE EXEMPTED  
FROM 20 PERCENT FIFTH FREEDOM TAX ON 7 OF THESE BUT WOULD  
HAVE TO PAY TAX ON REMAINING 27. (BRANIFF IS NOW PAYING  
TAX ON 3 OR 4 FREQUENCIES. DE MURIAS INFERS THAT TAX  
EXEMPTION FOR 7 FREQUENCIES MEANS AEROPERU INTENDS OPERATE  
7 FREQUENCIES TO U.S.) BRANIFF DOES NOT KNOW WHEN GOP WILL  
ISSUE DECREE, ONLY THAT IT HAS BEEN PREPARED. DE MURIAS  
EXPRESSED PERSONAL BELIEF PAYMENT OF TAX ON 27 FREQUENCIES  
WOULD THROW BRANIFF'S LATIN AMERICAN OPERATIONS INTO RED.  
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PAGE 02 STATE 178518

IN ANY CASE, SUCCESSFUL IMPOSITION OF TAX BY GOP WOULD

CLEARLY SET PRECEDENT OTHER LA GOVTS MIGHT QUICKLY FOLLOW.  
DE MURIAS BELIEVES THAT GOP WILL PRESS FOR PROMPT CONSULTATIONS, EITHER ISSUING DECREE PRIOR TO CONSULTATIONS OR USING IT AS FIRM NEGOTIATING POSITION IN CONSULTATIONS. HE EXPRESSED DEEP PESSIMISM REGARDING OUTCOME OF CONSULTATIONS UNLESS U.S. COULD RAISE THEM ABOVE PURELY AVIATION CONTEXT, BRINGING SOME POLITICAL LEVERAGE TO BEAR OR OFFERING SUBSTANTIAL INDUCEMENTS OF SOME TYPE.

2. SHLAUDEMAN SAID WE WOULD DO WHAT WE COULD TO ASSIST BRANIFF BUT POINTED OUT THAT OUR LEVERAGE IS NOT GREAT. HE SUGGESTED THAT BRANIFF PREPARE FOR CONTINUING PROBLEMS WITH GOP WHILE EXAMINING HOW IT MIGHT REPATTERN ITS SCHEDULE TO LESSEN DEPENDENCE ON PERU. HE SAID WE WOULD CONSIDER HOW WE MIGHT SEEK TO PERSUADE GOP NOT TO ISSUE DECREE PENDING CONSULTATIONS.

3. RE PARA 7 REFTTEL, WE ARE WEIGHING OPTIONS AVAILABLE TO USG, INCLUDING POSSIBILITY HOLDING CONSULTATIONS BUT DELAYING THEM UNTIL AFTER AEROPERU COMMENCES SERVICE TO U.S. WE WILL ADVISE EMBASSY OF FURTHER DEVELOPMENTS. KISSINGER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CIVIL AVIATION, AIR ROUTE APPLICATIONS, AIRLINES, NEGOTIATIONS, LEVIES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 AUG 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** izenbei0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974STATE178518  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** SMPRINGLE  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D740223-1117  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740846/aaaabnre.tel  
**Line Count:** 82  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN ARA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** LIMA 6626  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** izenbei0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 20 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <20 SEP 2002 by cunninfx>; APPROVED <21 FEB 2003 by izenbei0>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CIVAIR - BRANIFF PROBLEM  
**TAGS:** ETRN, PE, US, AEROPERU, BRANIFF  
**To:** LIMA  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005